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**Community & Economic  
Development & Trade Committee**

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**2SSB 5090**

**Brief Description:** Promoting innovation partnership zones.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Kastama, Shin, Franklin, Kilmer, Marr, Kauffman, Murray and Rasmussen; by request of Governor Gregoire).

**Brief Summary of Second Substitute Bill**

- Creates the Innovation Partnership Zones program.

**Hearing Date:** 3/21/07

**Staff:** Tracey Taylor (786-7196).

**Background:**

In 2006, the Governor's Global Competitiveness Council (Council) issued their report "Rising to the Challenge of Global Competition." The Council's Research and Innovation Committee (Committee) Report found that research and innovation creates a cycle of development that yields increased living standards and globally competitive businesses. The Committee and Council proposed a broad 10-year plan that connects the importance of strong research and innovation with the creation of jobs, healthy economic growth and a high standard of living and broad opportunity throughout the state's economy, reaching people of all backgrounds and in all the state's geographic locations.

**Summary of Bill:**

The "Innovation Partnership Zone"(IPZ) program is created in the Department of Community, Trade and Economic Development (DCTED) and consists of designating IPZs, awarding IPZ grants, and providing technical and planning assistance. Each October 1, the Director of the DCTED, with the advice of the Washington Economic Development Commission (Commission), may designate areas in Washington as an "Innovation Partnership Zone." Eligible applicants for

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an IPZ designation are associate development organizations, port districts, workforce development councils, and cities or counties.

In order to be designated an IPZ, there must be support of a local jurisdiction, a research institution, an educational institution, an industry or cluster association, a workforce development council, and associate development organization, port or chamber of commerce. In addition, the IPZ must have identifiable boundaries within which an applicant will concentrate efforts to connect innovative researchers, entrepreneurs, investors, industry associations or clusters and training providers. The geographic area defined should lend itself to a distinct identity and have the capacity to accommodate firm growth.

A proposed IPZ must also have the presence of research capacity, including research teams focused on emerging technologies and their commercialization or faculty and researchers that could increase their focus on commercialization of technology if provided the appropriate technical assistance. An applicant must also demonstrate, using revenue growth rates, wage levels, and other factors, that there is a concentration of firms within the proposed IPZ that are important to the economic prosperity of the state and that have or the potential to have a comparative competitive advantage. In addition, there must be training capacity within in the IPZ or readily accessible to the IPZ.

An IPZ grant program is created to provide funding to improve the commercialization facilities within an IPZ. Grant awards may also be used to facilitate the collaboration between research teams, industry, and workforce training providers that will lead to the formation and financing of new innovative firms, the commercialization of research results, and the movement of firms and industry clusters into globally competitive niches.

Grants shall be awarded to applicants within a designated IPZ that meet the criteria developed by the Director of the DCTED (Director), in consultation with the Commission. Grant applicants, which may include associate development organizations, port districts, workforce development councils, educational or research institutions and local jurisdictions, must have a private sector match of at least 50 percent of the grant award. An applicant must also: disclose the service delivery mechanism to be used to allow industry associations, cluster associations, and businesses to access the technical assistance, advisory, research, and commercialization capabilities of research teams within the IPZ; detail how the training services will be coordinated and delivered; and describe the methods to facilitate the competitiveness of firms, the commercialization of research, and the upgrading of worker skills within the IPZ.

During the 2007-09 biennium, at least two IPZ grants shall be awarded to recipients in the central Puget Sound region. In addition, at least two grants shall be awarded to recipients in eastern Washington. Also, at least one grant shall be awarded to a recipient in western Washington outside of the central Puget Sound region.

The DCTED may provide technical and planning assistance, either directly or through grants, to prospective applicants who may need additional analyses or assistance to meet the requirements of the designation process or the grant criteria. Up to 25 percent of the IPZ grant funds may be available for this assistance. The DCTED must also assist IPZ grant recipients in identifying and accessing any appropriate private, federal, or state program that provides funding for planning, infrastructure, technical assistance or training.

The Commission shall, with the advice of an Innovation Partnership Advisory Group selected by the Commission, have oversight responsibility for the implementation of the state's efforts to further IPZs throughout the state. The Commission must: provide information and advice to the DCTED to assist in the IPZ program implementation; document clusters of companies throughout the state that have a comparative advantage or the potential for a comparative advantage; conduct an innovation opportunity analysis to identify the strongest current intellectual assets and research teams in Washington focused on emerging technologies and their commercialization, and the faculty and researchers that could increase their focus on technology commercialization if provided assistance and resources; and based on findings and analysis, and in conjunction with the Higher Education Coordinating Board (HECB) and research institutions, develop a plan to build on existing and develop new intellectual assets and innovation research teams as well as provide direction for the development of a comprehensive entrepreneurial assistance programs at research institutions.

The Commission must develop performance measures to be used in the evaluation of the performance of innovation research teams, the plans and programs and the performance of the IPZ grant recipients. A biennial report to the Legislature is due beginning December 12, 2012. In addition, the Commission must convene a working group with the Workforce Training and Education Coordinating Board to create a process and criteria for identifying substate geographic concentrations of firms or employment in an industry and the industry's customers, suppliers, and supporting businesses, and institutions. The Workgroup will also establish criteria for identifying strategic clusters which are important to the economic prosperity of the state.

The Innovation Partnership Fund is created in the custody of the State Treasurer. Only the Commission with the concurrence of the HECB may authorize expenditures from the fund for the purposes of section 4 of this act. The fund will consist of transfers or appropriations made by the Legislature, transfers made by state research institutions, and private donations.

"Commercialization" is defined as a sequence of steps, including technology transfer, technical assistance in product development, production process design, and technical skills development, necessary to achieve market entry and general market competitiveness of innovative technologies, processes and products.

**Appropriation:** None.

**Fiscal Note:** Requested on March 7, 2007.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.